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# In whose name? The accountability of corporate social responsibility

*Jem Bendell*

*Stakeholder dialogue, participation, and partnership have become mainstream concepts in international development policy, in particular in the field of corporate social responsibility (CSR). However, the accountability of multi-stakeholder initiatives on CSR to their intended beneficiaries in the global South is increasingly questioned. This paper looks at how the agendas of some initiatives in the areas of ethical trade and sustainability reporting are driven by what Western NGOs push for, what large companies consider feasible, and what consultants and accountants seek to provide. It describes how the resulting practices and discourse restrict change and marginalise alternative approaches developed by Southern stakeholders. It is argued that enthusiasm for stakeholder dialogue, participation, and partnership in CSR matters, and beyond, needs to be reconceived with democratic principles in mind. 'Stakeholder democracy' is offered as a conceptual framework for this endeavour, and some recommendations are made for NGOs, companies, and governments.*

## Introduction

The concept of accountability has become a mainstream issue within international development policy and research, as exemplified by UNDP's *Human Development Report 2002* (Goetz and Jenkins 2002). The focus has generally been on how accountability deficiencies in governmental and inter-governmental organisations have led to maldevelopmental outcomes. The non-profit NGOs that ostensibly pursue pro-development goals have been recognised for the useful role they play in holding governments to account, through domestic and international channels. However, their increasing power in this regard has not been without some criticism, and such organisations now have their own accountability questioned. This is part of an unfolding 'new accountability agenda' concerning those non-state actors that affect development (Goetz and Jenkins 2002). A key part of that agenda is to address the accountability of increasingly large, and international, corporations, particularly when they appear responsible for, or complicit in, human rights abuses, stunted social development, and environmental degradation. For more than ten years NGOs have played a key role in highlighting such problems and putting pressure on corporations to change (Bendell 2000). This has led to an explosion of voluntary efforts by companies, often in collaboration with those same NGOs, to develop policies about, and processes to address, their relationship to society: efforts that have given rise to terms like 'corporate social responsibility' (CSR) and 'corporate citizenship', now in widespread use.


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Much work done in this area relates to issues in the global South, such as child labour, sweatshops, pollution, and deforestation. For this reason, the people and environments of 'developing' countries are often intended as the beneficiaries of more responsible corporate practice. There is often an underlying assumption, therefore, that the development of the global South will be supported by such CSR activities. More recently, it has been suggested that corporations can be conscious agents of development, by identifying opportunities to source from or sell to disadvantaged people in ways that improve their quality of life (Prahalad 2004). This marks a change from previously established views of corporations as the enemies, unconscious engines, or ungrateful beneficiaries of development. Consequently, the role of corporations, and CSR in particular, in international development requires more systemic analysis.

The terms 'participation' and 'partnership' are often heard in relation to CSR, along with the assertion that many different 'stakeholders', including corporations, should be engaged in responses to development challenges. This resembles the emphasis on participation and partnership in public policy discourse since the early 1990s. Just as stakeholder dialogue, participation, and partnership have often been regarded uncritically in public policy, many actors who are involved in CSR initiatives see these as inherently positive approaches. In consequence, multi-stakeholder initiatives (MSIs), often called 'partnerships' between governments, business, and civil society, have become mainstream on the international development policy scene, as illustrated by the 2002 Johannesburg World Summit on Sustainable Development (WSSD), which elevated such initiatives to the level of inter-governmental agreements (calling MSIs 'Type II' outcomes and the latter 'Type I').

The justifications for MSIs have tended to stress the importance of combining the different skills and resources of different organisational types—government, civil, and private—in order to deliver change (Waddell 2000). They have also pointed to the learning that can arise from interactions between individuals and institutions that would not otherwise converse, and the new assets this can create in terms of skills, understanding, and trust. Many such initiatives arise out of a situation of prior conflict between government, business, and civil society. Multiple companies have been adopting standards on their social and environmental performance that are developed by, or in consultation with, some civil society organisations (CSOs), and often after pressure from other such organisations, manifesting itself either directly or through pressure on corporate buyers and, increasingly, investors. This situation could be described as the quasi-regulation of business by civil society, or 'civil regulation' (Bendell 2000). This leads to a different justification for MSIs, based on how they create new avenues for people to hold companies accountable for their actions. As I have argued elsewhere, '[i]n providing a means by which people can hold corporations accountable for their actions and change their policies and operations, civil regulation offers a novel channel for the democratic governance of the global economy by civil society' (Bendell 2000:249).

However, the opportunity for MSIs to provide new mechanisms for accountability and, therefore, democratic governance does not mean the reality of such. Various analyses have suggested that the (supposed) intended beneficiaries of CSR activity and MSIs have had only a limited influence on them (Bendell 2000; Bass et al. 2001; Utting 2002). 'There are tensions and contradictions between the Northern-driven CSR "movement" and developing country interests', argues Peter Utting (2002:96) of UNRISD. Questions have been raised about whether the concerns of Northern NGOs, and the responses of the companies they target, are always appropriate. For example, initial responses to campaigns on child labour in the sports-goods industry in Pakistan led to many children losing their jobs and working in more hazardous or abusive industries (Save the Children 2000). Others have pointed out how Northern NGOs can marginalise the interests and role of local groups in the South. For example, environmental NGOs like Conservation International have been criticised for arranging deals with governments and multinational companies that exclude local groups, particularly on issues such as bio-prospecting (Choudry 2003). From a different perspective, some have argued that the trend towards higher voluntary social and environmental standards is protectionist, if not in intent, then in effect. For example, the Colombian government raised a complaint at the WTO concerning a voluntary CSR standard relating to the imports of cut flowers, which it felt was reducing the country's competitiveness, especially as auditors of the standard were not available locally (WTO 1998).

Given these questions, the growth of voluntary corporate initiatives on aspects of international development, as well as the role of stakeholder participation, dialogue, and partnership in them, should not be assumed to represent growing opportunities for affected communities to hold companies accountable. Rather, the accountability of various initiatives to those who are (presumably) intended to benefit needs to be examined, as does the appropriateness of the discourse they help to create about international development challenges. This paper thus focuses on two initiatives that bring together a variety of companies to address aspects of their social and environmental impacts. The limited amount of multi-stakeholder participation from the global South is highlighted, along with the implications of this for discourse and practice. In particular, the paper demonstrates how the way in which the problems and solutions are defined serves the commercial interests of Northern participants, to the detriment of Southern stakeholders and intended beneficiaries. Reasons why this situation arises are identified and suggestions made for what can be done about it. Ultimately, the current enthusiasm for stakeholder participation and partnership needs to evolve towards a closer consideration of accountability and democracy. 'Stakeholder democracy' is offered as a conceptual framework to help in this process.

## Initiatives on workplace practices

The conditions of workers in the global South who make many of the products sold in the West have been a particularly high-profile CSR issue for large retailers and branded products companies, since NGO campaigns in the mid-1990s called on them to take responsibility for their supply chains. Since then, a variety of MSIs addressing working conditions have been launched. In 1997, the Ethical Trading Initiative (ETI) was established in the UK to bring together companies, NGOs, and labour unions to improve practices in corporate supply chains. Two years later a similar initiative was launched in the USA, called the Fair Labor Association (FLA). Two further such initiatives, the Worldwide Responsible Apparel Production (WRAP) and Social Accountability International (SAI), are the focus of this paper.

### *Worldwide Responsible Apparel Production (WRAP)*

Originally the initiative of the American Apparel Manufacturers Association (AAMA),[1] the Worldwide Responsible Apparel Production (WRAP) states its dedication to 'the promotion and certification of lawful, humane and ethical manufacturing throughout the world'.[2] In 1998 the AAMA developed the 'Worldwide Responsible Apparel Production Principles', described as 'basic standards that address labor practices, factory conditions, and environmental and customs compliance', and two years later launched a non-profit organisation to oversee implementation—WRAP (www.wrapapparel.org). By 2002, WRAP covered 700 companies responsible for 85 per cent of clothing sales in the USA, and more than 615 factories from 56 countries had earned the 'WRAP Good Factory Seal of Approval'.

The organisation claims that its intended beneficiaries are workers in the clothing and footwear manufacturing industry, most of whom are in the global South. The participation of Southern stakeholders is, however, limited. All but 1 of the 12 board members appear to be

US citizens. Apart from one business consultancy in El Salvador, *Reducción de Riesgos* (Risk Reduction), all the auditors accredited to inspect and award this Seal were US accounting firms (Prieto 2002). The only way Southern stakeholders can relate to this initiative is by endorsing its principles, rather than having any say in the organisation's work.

The lack of Southern participation in and governance of this MSI, developed in the name of workers in the global South, has major implications. As Marina Prieto of the Central American Women's Network (CAWN) has noted: '[m]any activists in Central America and elsewhere have pointed out serious flaws in the initiative's approach' (Prieto 2002). In April 2000, the NGO Maquila Solidarity Network (MSN) (www.maquilasolidarity.org) identified the following problems with WRAP:

- a lack of independence on its board, essentially giving businesses the right to veto decisions;
- very weak standards in terms of hours of work, minimum wage, freedom of association, and discrimination—issues specific to women such as maternity leave and specific forms of harassment, including sexual, are not even mentioned;
- public disclosure is not considered;
- *maquilas* must pay for the cost of monitoring (US$1500–3000) themselves;
- monitoring appears to be carried out only by private firms, excluding NGOs and trade unions;
- the interview process for workers is unclear, and as visits are pre-arranged, companies can 'clean up' in advance.[3]

WRAP is not the only game in town, and its existence threatens to marginalise the work of Southern stakeholders on labour rights issues. For example, WRAP began working in El Salvador, thereby directly competing with a local civil society initiative headed by the non-profit Salvadoran Independent Monitoring Group (GMIES) (www.gmies.org.sv), which was established in 1996. This was the first-ever such programme to conduct external monitoring of labour conditions in the *maquila*, and has since monitored factories supplying major companies such as Liz Claiborne and Gap (Prieto 2002). In contrast to WRAP, GMIES emphasises the importance of maintaining a regular presence at the factory, stresses the need for workers to get to know and trust the monitors and understand what their role is, and insists on the right to publish at least some of their monitoring reports and to share information including practices such as forced overtime and harassment. Lack of employer cooperation is also documented. Prieto has therefore argued that:

> *The WRAP system should not . . . become the standard . . . across Central America because it would lead to major labour rights violations being completely ignored. Confidential reports by private-sector monitors often fail to convey an accurate picture of conditions in the Maquilas, meaning that consumers in the North would be unable to discriminate between companies on ethical grounds.* (Prieto 2002:13)

The director of GMIES, Carolina Quinteros,[4] is therefore sceptical of the intent of WRAP and similar initiatives that are dominated by commercial interests in Northern countries:

> *Initiatives like WRAP reflect the intention of the big corporations to appropriate a concept that was created from activist movements in favour of human and workers' rights. The struggle for a code of conduct that reflects the responsibility of companies towards their workers . . . and the demand for a monitoring process that contributes to improving workers' conditions have been transformed into a business discourse. This discourse is closer to corporate public relations than to real undertakings towards workers and consumers.* (Quoted in Prieto 2002:13)

### Social Accountability International (SAI)

Industry-led initiatives such as WRAP face a credibility problem with the Western NGOs that put the issue on the companies' agendas in the first place. Consequently, there has been a strong impetus for companies either to sign up to an NGO-led process or one involving NGOs as partners (Murphy and Bendell 1997). Various MSIs on workplace practices have appeared since the mid-1990s. Social Accountability International (SAI) is not itself an MSI, but a New York-based NGO that in 1997 developed a standard called SA8000, against which workplace conditions worldwide could be assessed and certified as SA8000 compliant. The organisation consults with stakeholders on their opinions about the standard and upgrades it, and the associated guidance material, as it deems appropriate. It also accredits auditing firms offering companies certification to the SA8000 standard.

SAI emphasises that its standard is authoritative on two fronts: it integrates a number of ILO and human rights conventions, and its system of independent verification and accreditation draws upon the processes defined by the International Organization for Standardization (ISO). In contrast to many other initiatives in this field that ignore workers' fundamental rights such as freedom of association and leave the monitoring of implementation largely to self-declarations, these attributes of the SA8000 system make it a credible operation.[5] However, on closer inspection these two attributes are not uncomplicated, and some of the problems that arise cast doubt on any assumption that an MSI or an NGO-led process like this is accountable to intended beneficiaries.

The ILO conventions were written with governments in mind, and adapting them for direct application to companies is a process that provides scope for debate and disagreement—it is not merely a technical exercise. This is tacitly accepted by SAI through its effort to seek legitimacy through multi-stakeholder consultation about the SA8000 standard. However, the processes of standard implementation, monitoring, certification, and accreditation are portrayed as technical, not political, exercises. Further, the ISO standards and guidelines on these matters have been developed by the private sector with an eye to the interests of the conformity-assessment industry, and were not initially intended for application to social issues. The influence of ISO and the conformity-assessment industry has been key to the way SAI works. Thus, in its publications, presentations, and conversations, SAI and its accredited auditing companies stress their objectivity, confidentiality, neutrality, reasonableness, internationality, and speed as hallmarks of their professional approach to monitoring compliance with workplace codes of conduct.

Recent research on the application of these approaches to monitoring banana plantations in Costa Rica highlighted how each of these hallmarks of 'professionalism' can actually undermine the ability of the monitoring process to effect change as well as marginalise alternative approaches (Bendell 2005).

The first issue is speed. Most commercial social auditing companies aim to do their audits in two to three days, with a team of two to three people. The short amount of time available is a result of the high day-rates charged by certification companies. In just a couple of days, auditors have to cover a range of issues; the considerable pressure of time significantly influences the nature of the audit. It means that auditors seek to reduce the potential complexity that could be faced during an audit, in order to automate the process. It also means that important research techniques such as offsite interviews are often ruled out, although they might provide crucial information. Yet the speed of these auditors is marketed as a positive attribute, in contrast to local monitoring organisations that could have both a more regular presence at the workplace and take more time to make the assessments.

Then there is the emphasis on international application. SAI emphasises that SA8000 is global and that it can be applied to a factory or plantation anywhere in the world, and audited by accredited companies like SGS and BVQI, anywhere in the world. These auditors point to their international presence as a demonstration of their ability to provide clients with a global solution, if required. However, at the time of the research, these offices did not have staff trained in social auditing, and much auditing has been conducted by staff from offices in the UK or USA, who therefore have limited knowledge of the local culture and politics, and face language barriers. Local monitoring groups may not be able to provide Western retailers with a 'global solution', but may well prove invaluable in providing one that is much more sensitive to local realities.

Third is the question of confidentiality. This is considered to be important in that a company might not want stakeholders to know that it is being assessed, in case it fails the audit. However, their confidential nature means that audits cannot be verified by other researchers or NGOs. Many local monitoring groups are open about which workplaces they monitor, and publish all or parts of their findings. However, SA8000 borrows from ISO approaches, requiring auditors to act confidentially.

A fourth issue concerns objectivity. Positivist approaches have been challenged within the social sciences for 20 years, given an understanding of how the social realm is socially constructed. 'Evidence' is never 'objective' in that the person viewing it is involved in deciding what it means and whether it counts as evidence in the first place. One auditor's 'evidence' is another auditor's clutter. Despite the rhetoric of professional objectivity, all auditing decisions are discretionary, at every moment of the audit process, from choosing who to talk to, to what to ask, how to ask it, what to follow up on, and what to recommend. Yet SAI-accredited auditors argue that they are more 'objective' than local NGOs, presenting their lack of knowledge and experience of local contexts as a positive attribute. Attendance of SA8000 training courses revealed the pro-client biases of commercial auditors on issues such as freedom of association (Bendell 2001).

Fifth, and ironically, given their claim to objectivity, but understandably, given their financial concerns, auditors like SGS made a feature of their favourable disposition towards commercial clients. 'There is the problem that compliance with the letter of the standard might not mean compliance with the spirit of the standard. You need to approach these issues objectively', said one SA8000 course tutor (Bendell 2001). Therefore the 'objectivity' claimed by commercial auditors is really their 'reasonableness', or their flexible and unsuspicious subjectivity.

A sixth issue concerns neutrality. Like a number of other groups in the emergent profession, SAI presents monitoring of workplaces by accredited companies as a neutral test of labour conditions. Companies pass or fail audits; officially, management does not receive help from auditors on how to improve compliance, nor do workers receive help on how to improve their situation. However, this restriction is rooted in the practice of auditing management systems, not performance standards. For the latter, it is an undesirable restriction as it prevents constructive advice being given to improve the situation. In addition, the idea of a neutral test is methodologically illogical. SA8000 inherited a methodology that is suited to inspecting 'things', such as light bulbs and financial accounts, and not people and social relations. People's representations of their situation cannot be treated as concrete immovable 'facts'.

Evidence from focus groups concerning sexual harassment illustrates this. At first, women workers on the banana plantations said that they did not suffer sexual harassment. After more discussion, it emerged that they didn't see the abuse they received as harassment, as it was 'normal' for men to behave in the ways they did. Once it was suggested that just because it was 'normal' did not mean that it was not harassment, they agreed that, in fact, they suffered sexual harassment (Bendell 2001). Thus, evidence of 'sexual harassment' was produced by the team of researchers helping the women explore the issue. Other auditors may not have decided to pursue the matter, and been happy to ask a yes/no question 'do you suffer sexual harassment?', and tick the 'no' box accordingly. That 'objective' evidence of the absence of sexual harassment from a 'neutral' test would have been produced by the auditors' use of uncommon terminology and the consequent lack of communication with the workers. By aspiring to neutrality, auditors accept the power relations that exist in a workplace: but being able to pass workplaces as acceptable is in fact far from neutral, since it actually reinforces those power relations. This is a very different approach to that of groups such as GMIES, which do not aim for their monitoring to be a neutral test, but see it as a mechanism for driving change.

The monitoring methodology promoted, and in many ways required, by SAI can be challenged on the grounds of its appropriateness and its effects on the efforts of Southern stakeholders, particularly local monitoring initiatives. SAI's accreditation process is also problematic in its effects on these groups; the organisation subscribes to ISO guidelines that all accredited organisations be treated the same, so that the same paperwork and financial arrangements are required of a small NGO operating in only one region as of a major multinational inspection company.

Any initiative, policy, or mechanism will have its drawbacks. However, the problem is whether a particular approach, such as that of SAI, marginalises alternatives that might be more accountable to intended beneficiaries. Participatory methods of workplace appraisal are being tried, but do not receive the same corporate support. The ETI has gone some way in promoting these more engaged processes of monitoring, yet the emphasis on the visit by an external expert remains, in a way that parallels the industrialising and de-politicising of participatory public-policy processes by development consultants.

The focus on producer certification can also be questioned. Not only does SAI define the problem as stemming from producer practices, rather than buyer–supplier relations, but it also allows for the risks associated with improving labour standards and obtaining certification to be borne by producers. In times of economic stress, companies could cancel their contracts with some farms, and reduce the terms and conditions on other farms, but still retain one or two as SA8000 certified, if they so wished. SAI is not alone in this approach. WRAP, the FLA, and the ETI all identify the problem of poor working conditions as something to be dealt with 'over there' in the factories and plantations across the global South, rather than 'over here' in the offices of large corporations that monopolise access to markets, drive down prices, require higher quality, and place short-notice 'just-in-time' orders for products. This is in contrast to the fair trade movement, which seeks to change buyer–supplier relations as key to any process of improving workers' conditions. The fact that Southern stakeholders do not have a voice in the governance of organisations based in London, New York, and Washington may help to explain why these organisations do not deal with these difficult issues.

### *Initiatives on sustainable development*

Although it is distinguished from purely environmental matters, much of the impetus for a renewed focus on CSR came from the environmental movement. In the early 1990s many environmental groups turned their attention to companies, calling on them to address their impact on society, on issues such as deforestation, climate change, and over-fishing (Murphy and Bendell 1997). The environmental consulting industry grew and grew, and began to theorise its work in terms of helping companies address their sustainability—involving their economic and social as well as their environmental impacts. Within this context, many people with an environmental background began working on issues such as workplace conditions and human rights. The problem was that their expertise on these issues was limited, and they often lacked any mandate from organisations with a long history in these areas, such as trade unions. Relations between environmental NGOs and trade unions, or other NGOs working on development and human rights, are seldom very extensive. The issue of CSR has provided some points of contact, but participation is often poorly balanced between the different types of organisations.

Environmental NGOs working on an expanding range of CSR issues therefore often find their accountability challenged. One illustrative initiative is the Better Banana Project, developed by the New York NGO Rainforest Alliance. This project established a standard against which plantations could be assessed, initially on environmental criteria, but gradually incorporating a range of provisions on working conditions. The quality of these criteria, the expertise of the auditors, and the organisation's independence of the main client of certification, Chiquita Brands International, were all challenged by trade unions and environmental organisations in Latin America. Now administered by a variety of NGOs from across the continent, all members of the Sustainable Agriculture Network (SAN), the project has made efforts to improve relations with unions and others, although its accountability to intended beneficiaries is still limited (Bendell 2000, 2005).

The experience of the Forest Stewardship Council (FSC) may also be instructive here. Established in 1993, the initial impetus for the FSC came from concern about the role of the timber trade in tropical deforestation. FSC oversees a sustainable forest-management standard and accredits auditors to certify companies that manage forests in accordance with the standard. It has paid close attention to balancing the interests of different stakeholders in business and civil society, North and South, on issues of social, environmental, or economic importance, and is democratically accountable to its membership (Murphy and Bendell 1997). Despite this, only about one quarter of the FSC's 300-plus members are from the global South (Blowfield 2004), though all have equal voting rights. By 2002 over 345 logging operations and 23.8 million ha of forests had been certified under the FSC system, yet 84 per cent of these forests were in the global North (Bass et al. 2001). Tropical deforestation had increased (Worldwatch Institute 2003). One problem is that the method of certification used for the FSC is more suited to large companies with auditable management systems, which can afford certification, and do not have complex relations with local communities. This makes certification in the North generally easier than in the South (Bass et al. 2001; Blowfield 2004). This demonstrates that even if accountability issues are addressed in the organisational governance of an MSI, a particular discourse of standards and certification can structure the possibility for uptake within the global South, leading to questions about trade distortion and protectionism.

The future of CSR is often thought to lie in how the financial world responds. Similar problems to those just outlined may beset the world of socially responsible investment (SRI), including inadequate attention to social issues, and the global application of a Northern interpretation. In 2002 the 'London Principles' were launched by the UK financial industry, setting out conditions under which financial market mechanisms can best promote the financing of sustainable development.[6] In the workshop of 120 people who helped develop the principles, no human rights organisations or trade unions and only one development charity were represented. Of the 26 individuals and institutions consulted, none was from human rights, development, or labour organisations (Corporation of London 2002). Thus the principles said nothing about health, human rights, transparency, corruption, bribery, political lobbying, good governance, trading structures, or market regulation. At the 2002 WSSD a memorandum of understanding was signed with the United Nations Environment Programme (UNEP) that the London Principles are applicable to all cities and markets, despite the absence of any Southern consultation.

## Reasons and responses

The initiatives profiled in this paper are by no means the worst or the most criticised; on the contrary, they are considered leaders in the field of CSR, and their promotion of stakeholder participation is widely welcomed by various policy makers and funders. For this very reason, if the accountability of these initiatives can be questioned, that of most CSR initiatives might be even more so. The constituencies in whose name CSR is promoted are not yet able to hold most CSR initiatives accountable.

This situation is due in part to the fact that a key impetus for CSR comes from a corporation's need to manage the risks of its reputation being damaged due to the influence of Northern NGOs on the media, consumers, investors, staff, and regulators. Thus the concerns of Northern NGOs were the initial impetus for CSR. The relationship between these NGOs and other opinion formers in the North, and intended beneficiaries of their work in the global South, is therefore key.

One implication for NGOs is how they manage their own downwards accountability to the constituencies they are meant to serve. 'Few NGOs active in ethical trade are accountable to the people they claim to represent, and where they have adequate international networks they do not manage these to systematically understand and present the views of their so-called constituencies', argues Mick Blowfield (2004:87). This echoes existing debates about NGO accountability in public policy advocacy and service provision (Edwards and Hulme 1996). For example, NGOs have sometimes been found to exclude representative people's associations, membership organisations, and trade unions from various social reforms (Uphoff 1996). Some Southern NGOs that pay closer attention to maintaining good relations with funding bodies than to the constituencies they are meant to be serving have also been critiqued (Hudock 1999).

Another reason for the limited accountability of CSR is that once issues have been raised, responses are implemented in accordance with the interests and capabilities of large companies and commercial service providers. Thus we see large retailers focusing their attention not on their own buying practices but on suppliers, preferring the 'global' solutions offered by corporate-friendly auditors, who themselves seek to define and promote practices in ways that suit their own priorities.

The implication for those NGOs who participate in voluntary MSIs on CSR is that they must recognise the dangers of co-optation, and the inherent limitations of this area of activity. As their collaborations with industry become more 'successful' in terms of funding, participation, reach, and recognition, so they must consider which groups they might be marginalising or competing with, and whether those groups are less attractive to corporate interests, and why. Then they should engage with them. This is essentially about managing the paradox of power that arises when apparent success in working with powerful organisations at the same time undermines one's effectiveness (Bendell 2005). It is also important for NGOs to see beyond their specific issues, whether they be child labour, deforestation, and so on, and recognise how processes of globalisation have engendered challenges to corporate legitimacy, which have in turn prompted companies to work with NGOs. NGOs must realise that these collaborations may have an effect on that broader political context.

There are also reasons why corporate executives should be concerned about the limited accountability of CSR. In terms of reputation management, unless the intended beneficiaries are engaged then it is not certain that the challenges they face will be addressed. The failure to resolve underlying problems may provide material for future reputationally damaging campaigns. In addition, certain issues pose challenges beyond concerns about reputation; HIV/AIDS, climate change, poverty, and conflict all present risks to the future expansion of business in the global South, and thus to the long-term strategies of international companies. Institutional investors like pension funds should also be interested in this, as they invest across whole sectors, and need to see the threats to their long-term portfolios arising from problems like AIDS, poverty, and climate change effectively tackled. These problems can be addressed more effectively through the exchange of information with intended beneficiaries, and if activities have credibility with, and a mandate from, those beneficiaries.

Finally, there is the question of corporate power. Activities such as child labour and deforestation, two leading CSR issues, have been with us since humans walked on earth, yet it has only been since the early 1990s that they became issues of corporate responsibility. This is because people woke up to the growth of corporate power and started to target companies directly. If CSR does not address the imbalance of corporate power then it is unlikely to reduce growing criticisms. Indeed, if it is seen to consolidate corporate power, those companies involved in CSR will become even bigger targets.

Governments and inter-governmental institutions should also act on this. MSIs need guidance and encouragement to address their accountability. Although early discussions about the role of the UN Global Compact included the possibility of its taking a role in guiding principles for MSIs, this did not materialise. Some MSIs and NGOs have formed the International Social and Environmental Accreditation and Labelling (ISEAL) Alliance, which has developed a code on standard setting. The code stresses the need for stakeholder participation, but this is not conceived in terms of democratic accountability to intended beneficiaries. The code says those who might be 'materially affected' by a standard should be consulted, but this includes groups that might be making significant amounts of money from a process, rather than being limited to organisations representing the interests of those whose rights are not being upheld by it. The code represents an uncomfortable compromise between maintaining an appearance of a technical approach to the issue it addresses, and the politics that are inherent in MSIs. ISEAL was founded in particular to help its members achieve credibility in future WTO processes, which through the Triennial Reviews of the Technical Barriers to Trade Agreement have placed the corporate-dominated ISO and the commercial auditing community in the position of defining legitimate processes for standard setting and conformity assessment. Thus the current involvement of governments and inter-governmental institutions leaves much to be desired. Instead, leadership will be required to establish criteria for the validity of claims about social phenomena that do not serve merely commercial interests, and then to have these recognised by the institutions that govern international trade.

## Conclusion: towards stakeholder democracy

'The increase of corporate power and the rise of influential NGO movements presents a great challenge for democratic systems', argues Minu Hemmati (2002:265) in a review of the growth in MSIs on sustainable development prepared for the WSSD. Some have warned of a new and anti-democratic global corporatism arising from the growing interest in partnerships between corporations, NGOs, and inter-governmental bodies (Ottaway 2001). Evidence from the field of CSR presented in this paper adds to this concern about the unaccountability of MSIs, while at the same time suggesting they could be important new mechanisms for people to influence the corporations that affect their lives. To promote their positive function, we need to be clearer about what it is that is good about MSIs. We need a shift in discourse away from stakeholder dialogue, participation, and partnership, towards an articulation of policy and practice that places democratic principles at the centre.

Concepts of democracy are, of course, contested, with historical debates between advocates of representative versus participatory democracy. Modern twists to this debate involve cosmopolitan, deliberative, and associative concepts of democracy, among others. Engaging with concepts and techniques of democracy poses a significant challenge.

One popular view is that in a democratically governed society, a community of people should have meaningful participation in decisions and processes that affect them, and should not be systematically adversely affected by another group of people without being able to rectify the situation (Dahl 1961). This means that any organisation can be assessed in terms of democracy: organisations should be accountable to those they affect—particularly those who are negatively affected. There are various mechanisms for such accountability, some that an organisation itself can attend to, and others that require external bodies, such as state regulators and courts, which, in turn, should be democratically accountable. Because the '*demos*' or people that make claims for the democratic control (directly or indirectly) of an organisation are also affected by it, this can be understood as 'stakeholder democracy'. The concept of stakeholders is useful as it groups together people on the basis of an interest in an organisation—the unit central to this conception of democracy. The ability of a system of democracy by stakeholder groups to deliver individual democratic rights depends on those stakeholder groups themselves being democratic. As most stakeholder groups form organisations themselves, their accountability is a valid question in terms of the ideal of stakeholder democracy. Thus we could define a stakeholder democracy as an ideal system of governance of a society where all stakeholders in an organisation or activity have the same opportunity to govern that organisation or activity. Stakeholder groups are key to this process, as well as also being the subjects of democratic governance.

The term is already being used in activism and international development advocacy. For example, Tim Concannon of a small human-rights group called the Stakeholder Democracy Network argues that 'stakeholder democracy means empowering grassroots stakeholders'.[7] He uses the term to introduce human rights principles into the mainstream discourse on 'stakeholder dialogue' and 'stakeholder participation'. The popularity of these two terms is illustrated by the combined total of 77,800 websites they produced on the Google search engine in July 2004, even more than the 71,400 generated by the classical concept of 'participatory democracy', and far outweighing terms describing more recent theoretical developments (associative democracy 1510; deliberative democracy 24,800).

The concept of stakeholder democracy has not been discussed widely in academia, although there has been some work on democracy and corporations in the field of management studies: industrial or workplace democracy appears in literatures on Organisational Behaviour and Human Resource Management, for example, and the idea of shareholder democracy in work on Finance and Corporate Governance. Some management theorists have mentioned the concept in terms of all of a company's stakeholders, external as well as internal, although they have shied away from venturing a specific definition (Turnbull 1994; O'Dwyer 2004). Meanwhile, Nottingham University Business School has initiated discussions about stakeholder democracy, understood as a topic of enquiry that 'focuses on the question of how far stakeholders have certain democratic rights in governing the corporation'.[8]

Future research on stakeholder democracy will need to consider the dynamics of power in stakeholder relations. Consideration of the power of discourse production, and how it is shaped by particular interests, will be key to this. The examples in this paper of how MSIs set the boundaries of participation, by defining the agenda for problem solving, illustrate that democracy is not promoted by merely increasing participation but by stakeholders having an equal opportunity to shape agendas that create the boundaries of that participation (Bendell 2005).

Another vital area of analysis will be the relationship between deliberation and action, or compulsion. Deliberation cannot be divorced from issues of compulsion: if a state had a parliament that was ignored by the monarch, then it would not be considered a democracy; nor, by the same token, should a stakeholder process that has limited powers of implementation be considered democratic. Further, if the existence of that stakeholder process actually undermined processes of compulsory regulation, then its democratising credentials could also be questioned. Given the growing realisation of the patchiness of the commercial rationale for CSR, the truest responsibility of one company could actually be to work for accountability of *all* companies, thereby backing improved regulations nationally and internationally (Bendell 2004).

Until now, the international development and management professions and academies have largely ignored each other (Wong-MingJi and Mir 1999). However, to inform progressive policy and practice in the field of CSR and MSIs, these schools of thought and practice will have to engage with and learn from each other.

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## Notes

**1** In August 2000 the AAMA merged with the Footwear Industries of America and the Fashion Association to become the American Apparel and Footwear Association.
**2** The statements quoted in this section are from www.wrapapparel.org/infosite2/index.htm (retrieved 18 October 2002).
**3** See www.cawn.org/newsletter/16/us_monitoring.html (retrieved 28 October 2004).
**4** Carolina Quinteros has also contributed an article, titled 'Corporate responsibility and the US–Central America Free Trade Agreement (CAFTA): are they compatible?', to this issue.
**5** For more information on the SA8000 standard and workers' rights, see Kearney and Gearhart (2004).
**6** See www.cityoflondon.gov.uk/living_environment/sustainability/ (retrieved 18 January 2005).
**7** See www.stakeholderdemocracy.org (retrieved 12 July 2004).
**8** Programme of the 2nd Annual ICCSR Symposium, 'Stakeholder Democracy—Perspectives from across the Business Disciplines', ICCSR, Nottingham, 28 November 2003.

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